

<p style="text-align: center;"><b>STATE OF MONTANA</b>  <b>COMPLIANCE SUPPLEMENT FOR AUDITS OF</b>  <b>LOCAL GOVERNMENT ENTITIES</b></p>	REF: SD-2
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<b>PROGRAM/SUBJECT:     School Districts - Revenues/Receipts</b>	

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**1. Revenues/Receipts - General**

See OPI's Montana School Accounting Manual -- Chart of Accounts for a description of revenues received by Montana school districts.

Available electronically at: <http://www.opi.mt.gov/PDF/SchoolFinance/ChartAccounts.pdf>  
[Scroll to Section 3-0500.40 - Definitions of Operating Statement Revenue Accounts]

**2. Federal CFDA Numbers**

Catalog of Federal Domestic Assistance (CFDA) numbers assigned to most federal grants distributed to Montana school districts can be found in OPI's Montana State and Federal Grants Handbook – Appendix H

Available electronically at:  
<http://www.opi.mt.gov/FederalPrograms/handbook.html>  
[Scroll to Appendix H]

**3. Revenue Coding**

School districts are required to use the standard Chart of Accounts established by OPI. (ARM 10.10.406) Because revenue coding errors can affect many aspects of school funding, auditors are asked to check the appropriateness of revenue coding, especially for non-levy revenues reported in the general fund. If revenues are being incorrectly coded by a district, OPI asks that the situation be reported in an audit finding.

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#### 4. **Prior Period Adjustments**

- Material prior year revenue adjustments are credited to Revenue Code 6100. In addition, Code 6100 is used to record material prior year expenditure adjustments *if the adjustment would **reduce** prior year expenditures*. (**Note:** This adjustment is made to a revenue code, because a credit to expenditure Code 892 would artificially inflate the expenditure authority of the district by reducing expenditures of the current year.)
- Material prior year expenditure adjustments are debited to Expenditure Code 892 *if the adjustment would **increase** prior year expenditures*. **Charges to Code 892 are subject to the total budget limitations of the fund for the current year.**
- Immaterial prior year expenditure adjustments are debited to a current expenditure account (for increased expenditures) or are credited to Code 1900 Miscellaneous Revenue (for decreased expenditures). Immaterial prior year revenue adjustments are credited to either an appropriate current year revenue account or to Code 1900 Miscellaneous Revenue.

#### 5. **Federal Commodities Program**

Donated food commodities will not be reported on the school district's Trustees' Financial Summary (TFS). Auditors should propose an adjustment to report the value of commodities used during the year as both a revenue and expenditure in the school food fund, as required by GAAP. (See GASB Codification N50 – Nonexchange Transactions & GASB Q&A #Z.33.4) (**Note 1:** The value of unused commodities should not be reported on a school district's balance sheet. Commodities inventories are the property of OPI until used by a school district.) (**Note 2:** The federal Commodities program (CFDA #10.550) is NOT part of the Child Nutrition Cluster. The Cluster includes only CFDA's #10.553, #10.555, #10.556 & #10.559.)

#### 6. **E-Rate Receipts**

The Federal government (Federal Communications Commission) makes E-rate subsidies to vendors for telecommunication and Internet services provided to school districts. The vendors must apply for the subsidies, and then reimburse school districts for the initial expenditures for those services. These E-rate receipts are considered to be procurement contracts, rather than federal financial assistance, and are therefore not subject to the provisions of OMB Circular A-133.

Accounting for E-rate funds depends on the year of expenditure (current or prior) to which the payment applies. Examples of accounting entries can be found on OPI's website at: <http://www.opi.mt.gov/SchoolFinance/Acct2.html> [click on "Accounting for E-Rate Payments".]

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**7. Housing of Pupils and Teachers (Lease-Rental Agreement Fund)**

- Any district may establish a lease or rental agreement fund if the district:
  - 1) provides pupil or teacher housing in district-owned buildings under a lease or rental agreement with pupils or teachers and receives money or
  - 2) rents, leases, or lets buildings, land, or facilities of the district under 20-6-607 (MCA 20-9-509)
- All moneys received from such lease or rental agreements may be deposited with the county treasurer to the credit of the lease or rental agreement fund, general fund, debt service fund, or any other appropriate fund. (MCA 20-9-509)
- Whenever the end-of-the-year cash balance of the lease or rental agreement fund is more than \$10,000 for an elementary or high school district or \$20,000 for a K-12 district, the cash balance in excess of this limit must be transferred to the general fund of the district. (MCA 20-9-509)
- Any expenditure of money from a lease or rental agreement fund must be made for the maintenance and operation of the district-owned buildings to which the lease or rental agreements apply or for the acquisition of additional housing or dormitory facilities. (MCA 20-9-509)

**8. Rent or Lease of School Property**

- Trustees may rent, lease, or let any buildings, land, facilities or personal property of the district under the terms specified by the trustees. Any money collected may, in the discretion of the trustees, be used for any proper school purpose and deposited in any fund as the trustees consider appropriate. (MCA 20-6-607)

**9. Sale of Abandoned, Obsolete, Undesirable Property**

- The trustees may sell a site, building, or any other real or personal property of the district that is, or is about to become, abandoned, obsolete, undesirable, or unsuitable for the school purposes of the district. Before sale of the property, the trustees must adopt a resolution. The resolution is not effective until 14 days after the notice of the resolution is published in a newspaper of general circulation in the district. If there is no newspaper of general circulation, the trustees shall post notices of the resolution in the manner required for school elections in 20-20-204. The money from the sale or disposal of property must be credited to the debt service, building, general, or other appropriate fund, at the discretion of the trustees. (MCA 20-6-604)

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**10.     Student Fees for Other than Extracurricular Activities**

- The trustees of a district may charge pupils reasonable fees as follows: (MCA 20-9-214)
  - a. for pupils in commercial, industrial arts, music, domestic science, scientific, or agricultural courses, to cover the actual cost of breakage and of excessive supplies used; and
  - b. for courses or activities not reasonably related to a recognized academic and educational goal of the school or a course or activity held outside normal school functions. The trustees may waive the fee in cases of financial hardship.
- The fees under a. must be deposited in the general fund and the fees collected under b. must be deposited in a nonbudgeted fund.

**11. One-Time-Only (OTO) Funding Provided by the Legislature – All payments deposited in the Miscellaneous Programs Fund (15)**

- Energy Cost Relief: This OTO payment was remitted to school districts in January 2006. The money should be deposited in the Miscellaneous Programs Fund (15) using revenue source code 3630, and utility and transportation expenditures should be tracked using program 363 and functions 26XX, 27XX or 4XXX. There is no time limit on the expenditure of funds.
- Weatherization and Deferred Maintenance: This OTO payment was remitted to school districts in FY2007. The money should be deposited in the Miscellaneous Programs Fund (15) using revenue source code 3640, and expenditures should be tracked using program 364 and functions 26XX, 4XXX or 52XX. This grant money may be used as a match for any other local, state or federal money. There is a 3-year time limit on the expenditure of funds, after which unspent funds will be reverted to the State.
- Full-Time Kindergarten: This OTO payment is for start-up costs for school districts that offer a full-time kindergarten program prior to July 1, 2012, and is available to districts upon submittal of an application. Funding will be distributed based on the district's kindergarten enrollment reported in FY2006-07. The money should be deposited in the Miscellaneous Programs Fund (15) using revenue source code 3670, and expenditures should be tracked using program 367. The money may be used for any costs related to the startup of a full-time kindergarten program. The payment is estimated to be approximately \$971 per kindergarten student.
- Indian Education for All: Three OTO payments paid in FY2007, FY2008 and FY2009. The money should be deposited in the Miscellaneous Programs Fund (15) using revenue source code 3650, and expenditures should be tracked using program 365. The money may not be transferred to any other fund. FY2007 funds may be spent on curriculum materials, travel for staff training, substitutes for staff on training, or any item related to

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**11. One-Time-Only (OTO) Funding Provided by the Legislature – All payments deposited in the Miscellaneous Programs Fund (15) – continued:**

Indian Education for All. FY2008 and FY2009 funds may be spent on curriculum development, providing curriculum materials to students, and providing training to teachers. There is no time limit on the expenditure of the funds. (**Note:** These OTO payments are in addition to the ongoing Indian Education for All payments provided for in MCA 20-9-329, which are to be deposited to the district general fund.)

- **Capital Investment and Deferred Maintenance:** This OTO payment will be paid in FY2008 on the same schedule as direct State aid, and is prorated to districts based on ANB. The money should be deposited into the Miscellaneous Programs Fund (15) using revenue source code 3660, and expenditures should be tracked using program 366. The money may be retained by the district and spent for capital investment and deferred maintenance purposes for a period of ten years, after which unspent funds will be reverted to the State.

**12. School Facility Improvement Account** – This *State* account was established by the 2007 Legislature. The purpose of the account is to *eventually* provide money to school districts for major deferred maintenance, improved energy efficiency or critical infrastructure. The money in the State account will not be distributed to schools until after FY2009. (MCA 20-9-516)